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**GALVESTON-TEXAS CITY PILOTS**

**FINANCIAL STATEMENTS**

**AND**

**REVENUE ITEMS**

GALVESTON COUNTY PILOTS § BOARD OF PILOT  
COMMISSIONERS

IN THE MATTER OF PILOT § FOR GALVESTON COUNTY  
RATES

ESTIMATED REVENUES FOR PILOT RATES INCREASE

TO: THE HONORABLE BOARD OF PILOT COMMISSIONERS FOR  
GALVESTON COUNTY

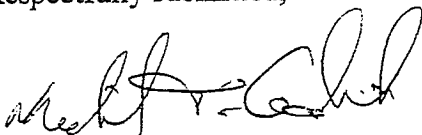
In accordance with the requirements under Texas Transportation Code §67.065(a)(4), the Galveston-Texas City Pilots have listed the estimates for the anticipated revenues under the proposed rates for the rate hearing on March 29, 2007. A comparison is presented with the actual 2006 revenues from the existing tariff.

Beneath each tariff rate category there are two items in table format:

- A. The actual revenue for 2006, being the last calendar year, under the present tariff,
- B. The anticipated revenue estimate for the proposed rate.

Please note that a summation of all categories will not equal the actual gross tariff receipts. This is because the main category "minimum charge" and the sub-category "minimum shift" contain two other listed rate categories *within* their own total. The "draft" and "unit" charge categories are also contained within the "minimum charge" and "minimum shift" items. A simple summation of all categories will give a higher sum total revenue figure than the actual revenue. A total actual revenue amount is given on the final page.

Respectfully submitted,



Capt. Michael T. Godinich, for the  
Galveston-Texas City Pilots

**REVENUE ESTIMATES**  
**BY CATEGORY**

**FOR**

**PROPOSED PILOTAGE RATES FOR THE  
PORTS OF GALVESTON COUNTY**

**DRAFT CHARGE**.....\$48.81  
To or From Sea to Galveston, Texas City, or Bolivar Roads; To or From Bolivar Roads to Galveston or Texas City;  
or between Galveston and Texas City. Minimum draft charge is 20 ft.

A. 2006 Actual Tariff Revenue	\$ 5,010,407.00
B. Proposed Estimated Tariff Revenue	\$ 6,363,217.00

Vessels shall also be charged a Unit Charge, Units are computed by multiplying the vessel's length overall in feet by her extreme breadth in feet and dividing by 100.

Units	Cost/Unit	Units	Cost/Unit
0- 50	\$0.154	801- 850	\$0.814
51-100	\$0.185	851- 900	\$0.816
101-150	\$0.237	901- 950	\$1.100
151-200	\$0.272	951-1000	\$1.140
201-250	\$0.321	1001-1050	\$1.205
251-300	\$0.358	1051-1100	\$1.245
301-350	\$0.408	1101-1150	\$1.303
351-400	\$0.443	1151-1200	\$1.345
401-450	\$0.493	1201-1250	\$1.403
451-500	\$0.528	1251-1300	\$1.448
501-550	\$0.577	1301-1350	\$1.506
551-600	\$0.612	1351-1400	\$1.551
601-650	\$0.795	1401-1450	\$1.610
651-700	\$0.810	1451-1500	\$1.650
701-750	\$0.812	1501-1550	\$1.712
751-800	\$0.813	1551- up	\$1.748

A. 2006 Actual Tariff Revenue	\$ 2,725,620.00
B. Proposed Estimated Tariff Revenue	\$ 3,461,537.00

**MINIMUM CHARGE**

The minimum charge for all vessels, whether arriving, sailing, or shifting, is .....\$990.60

A. 2006 Actual Tariff Revenue	\$ 314,340
B. Proposed Estimated Tariff Revenue	\$ 399,212

**SHIFTING**

Between docks within Galveston or within Texas City, a flat rate charge shall be made.

Shifting charge.....\$684.15

A. 2006 Actual Tariff Revenue	\$ 119,053
B. Proposed Estimated Tariff Revenue	\$ 151,197

Vessels shifting shall pay the unit charge in addition to the shift charge.

Minimum shifting charges.....\$990.60

A. 2006 Actual Tariff Revenue	\$ 120,120
B. Proposed Estimated Tariff Revenue	\$ 152,552

**SECOND PILOT**

On vessels over 120,000 DWT, or on vessels 850 ft. LOA or more, there shall be two Pilots. If not turning, one pilot is required for those vessels with operational thrusters or less than 130 ft. of beam. The second pilot is charged at the same rate as the first.

A. 2006 Actual Tariff Revenue	\$ 697,458
B. Proposed Estimated Tariff Revenue	\$ 885,772

**VESSELS WITHOUT POWER OR STEERING**

All vessels without power or steering will be charged double the charge for vessels with power or steering.

A. 2006 Actual Tariff Revenue	\$ 22,457
B. Proposed Estimated Tariff Revenue	\$ 28,520

**DETENTION OR HOLDING**

Detention is charged after the first half-hour (30 minutes free time), and not prorated. If, after 30 minutes, the vessel does not sail, or does not arrive, then detention shall be charged from the original time of the order. Detention shall be charged if the pilot is unable to disembark within 30 minutes of first line.

Holding is charged when a vessel requires a Pilot to hold the vessel alongside a dock or bank, or hold in the stream, or to stand by while the compass is calibrated. Holding time will also be charged when a vessel is under reduced speed in order to await a clear berth, or adequate harbor tugs.

Detention/Holding.....\$297.60/hr

A. 2006 Actual Tariff Revenue	\$ 178,794
B. Proposed Estimated Tariff Revenue	\$ 227,068

**CANCELLATION**

Sailings, shifts, or other movements originating on inside waters.....\$396.24

A. 2006 Actual Tariff Revenue	\$ 21,216
B. Proposed Estimated Tariff Revenue	\$ 26,944

Arrivals.....\$525.78

A. 2006 Actual Tariff Revenue	\$ 13,662
B. Proposed Estimated Tariff Revenue	\$ 17,351

**NOTICE**

Cancellation and Detention charges can be avoided by giving the pilot office notice of changes.

Sailings, shifts, or other movements originating on inside waters..... 1.5 hrs.

Arrivals..... 2 hrs.

**TRANSPORTATION CHARGE**

Per movement.....\$ 22.86

A. 2006 Actual Tariff Revenue	\$ 92,358
B. Proposed Estimated Tariff Revenue	\$ 117,295

**COMMUNICATION CHARGE**

Per movement.....\$ 28.56

A. 2006 Actual Tariff Revenue	\$ 115,396
B. Proposed Estimated Tariff Revenue	\$ 146,553

**EDUCATION and SAFETY**

Per movement.....\$ 26.67

A. 2006 Actual Tariff Revenue	\$ 107,751
B. Proposed Estimated Tariff Revenue	\$ 136,844

**BOLIVAR ROADS ANCHORING**

In addition to any other applicable charge, any movement involving the Bolivar Roads Anchorage

will be charged.....\$453.00

A. 2006 Actual Tariff Revenue	\$ 124,050
B. Proposed Estimated Tariff Revenue	\$ 374,631

**PILOT BOAT CHARGE**

Per Movement\*.....\$ 52.08

A. 2006 Actual Tariff Revenue	\$ 0
B. Proposed Estimated Tariff Revenue	\$ 231,964

**OIL RIGS AND SIMILAR STRUCTURES**

This section applies to all movements of any type, involving all oil rigs or similar structures, whether underway, alongside a berth, or sitting upon a barge or drydock.

*Helicopter;*

Pilots will embark or disembark by helicopter, unless the rig is stationary alongside a dock within Galveston Harbor. Helicopter service fees will be contracted and paid by the customer.

*Number of Pilots;*

Semi-Submersibles and similar sized vessels, while underway, will require two pilots on the rig, and one pilot on the towing vessel, for a total of three pilots. Shifting from berth to berth within the harbor, under adequate local harbor assist tugs, will require only two pilots on the rig.

Jack-ups and similar sized vessels, while underway, will require one pilot on the rig, and one pilot on the towing vessel, for a total of two pilots. Shifting from berth to berth within the harbor, under adequate local harbor assist tugs, will require only one pilot on the rig.

For those rigs due to their size, purpose or construction where the number of pilots cannot clearly be determined as required under this section, the Galveston-Texas City Pilots will make such final determination as to the number of pilots required.

*Charges per Pilot;*

Movements within Galveston Harbor-Shifting..... \$950.00/hr.  
 Movements to or from Sea, as well as Bolivar Roads, with 5 hr. minimum applicable..... \$950.00/hr.  
 All hourly charges to commence upon time for order, and hours of service are not prorated.

Additional applicable charges per pilot as previously defined.....Draft, Transportation, Communication, Education & Safety charge, and the Cancellation charge.

A. 2006 Actual Tariff Revenue	\$ 0*
B. Proposed Estimated Tariff Revenue	\$ 380,175*

**{In 2006, drilling rig type and dry-dock movements accounted for all the special services recorded. Since this is now proposed to be a new item, all drilling rig and dry-dock movement revenue is transferred from the old "special service" category. The "special service" revenue item is then estimated to be \$0, as seen below. }**

*Ordering/Movements*

Notice for pilot services for rig movements will be placed at least four hours in advance of movement. Rigs will be moved at slack water or on following tidal currents, during daylight hours. Depending on draft, large rigs may require prior implementation of a U.S.C.G. safety zone or the like. All movements will be predicated on sea, weather, and visibility conditions, as well as adequate assist tugs, as determined by the Galveston-Texas City Pilots.

**SPECIAL SERVICES**

The rates for any Special or Extra service not covered herein, including, but not limited to, trial runs, movements of unusual types of floating equipment such as special purpose barges, and placing vessels on or off a drydock or barge, shall be by specific agreement made in advance of movement.

A. 2006 Actual Tariff Revenue	\$ 380,175
B. Proposed Estimated Revenue	\$ 0

**PILOT CARRIED TO SEA**

If the Pilot is carried to sea for any reason, including weather, the pilot shall be paid \$381 per day plus all expenses back to Galveston.

A. 2006 Actual Tariff Revenue	\$ 0
B. Proposed Estimated Tariff Revenue	\$ 0

**PAYMENT FOR SERVICES**

Payment is due for all services upon receipt of invoice. Any invoice not paid within thirty days shall be considered in arrears. By placing an order for pilotage services, the vessel agent or representative who places said order for pilotage services agrees to be directly responsible for payment of the corresponding pilotage fees and agrees to guarantee payment of same and unless prior alternate arrangements have been made in writing.

*THE \$990.60 MINIMUM CHARGE FOR VESSELS IN TRANSIT OR SHIFTING DOES NOT INCLUDE THE COMMUNICATIONS CHARGE, THE TRANSPORTATION CHARGE, THE EDUCATION CHARGE, OR ANY OTHER CHARGES INCURRED BY DETENTION, HOLDING, CANCELLATION, OR OTHER CHARGES FOR ANY OF THE OTHER SERVICES LISTED IN THIS PILOTAGE RATE.*

*\*THE PILOT BOAT CHARGE EXPIRES PER SUBMITTED FUNDING PLAN.*

**Totals**

A. Total Revenue* for 2006 Tariff Items	\$ 9,608,397
B. Total Proposed Estimated Tariff	\$ 12,549,068

Additional Proposed Revenue: \$ 2,940,671

*\*category "minimum charge" and sub-category "minimum shift charge" are previously included within totals of "draft" and "unit" charge categories.*



**GALVESTON COUNTY PILOTS § BOARD OF PILOT  
COMMISSIONERS**

**IN THE MATTER OF PILOT § FOR GALVESTON COUNTY  
RATES**

**PILOT FINANCIAL REPORT FIGURES**

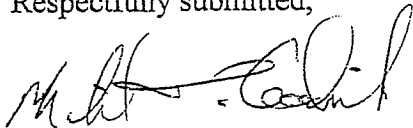
**TO: THE HONORABLE BOARD OF PILOT COMMISSIONERS FOR  
GALVESTON COUNTY**

In accordance with the requirements under Texas Transportation Code §67.065(a)(1-3), and §67.065(b)(1-2) the Galveston-Texas City Pilots have attached the financial figures for the rate hearing scheduled for March 29, 2007. Attached are the following:

- A. Galtex Pilot Service Corp. Income Statement for the fiscal year June 1, 2005 to May 31, 2006, and the corresponding Balance Sheet for May 31, 2006,
- B. Galtex Pilot Service Corp. Income Statement for the eight month period since the end of our last fiscal year, June 1, 2006 to January 31, 2007 and the corresponding Balance Sheet for January 31, 2007,
- C. Category income summary listing all expenses and income from the Galtex chart of accounts.
- D. Letter of Engagement from our new auditors; Fitts, Roberts & Co., P.C., certified public accountants.
- E. Correspondence from Klein Systems Group, Ltd. regarding ongoing progress on our software modernization program.

The Galveston-Texas City Pilots have provided Galtex financial documents to the Galveston County Pilot Commissioners for the last thirty-six years in accordance with the Texas Transportation Code. The corporation was chartered in Texas on May 2, 1969, and is a privately held 'C' corporation, wholly owned by the fifteen Galveston-Texas City Branch Pilots. The Pilots employ Galtex to perform pilot dispatch services, invoicing, and bill collecting for the individual pilot. In performing this function, Galtex has legal title to the necessary assets, incurs related expenses and in turn employs office staff, dispatchers, and boat operators.

Respectfully submitted,



Capt. Michael T. Godinich, for the  
Galveston-Texas City Pilots

**GALTEX PILOTS SERVICE CORP.**

11:59 am

**Income Statement**

	12 Months Ended May 31, 2006	
Income		
Management Fees	\$4,235,021	100.0%
<b>TOTAL Income</b>	<b>4,235,021</b>	<b>100.0%</b>
Pilot Boat & Pilot Station Expense		
Payroll- Pilot Boats	450,000	10.6%
Pilot Boat Insurance	97,880	2.3%
Engine Repairs	77,988	1.8%
Radio & Radar Repairs	20,203	0.5%
General Repairs- Layups	46,154	1.1%
Fuel	374,491	8.8%
Deck Supplies	14,153	0.3%
Galley Supplies	34,279	0.8%
Taxes- Pilot Boats	7,224	0.2%
Taxes- Pilot Station	19,224	0.5%
Depr.- Pilot Station Equipment	8,065	0.2%
Utilities- Pilot Station	38,263	0.9%
Repairs- Pilot Station	3,810	0.1%
Insurance- Pilot Station	27,423	0.6%
Maintenance- Pilot Station	17,771	0.4%
Equipment- Pilot Station	14,100	0.3%
Klein Dispatch System	88,526	2.1%
Supplies- Pilot Station	3,668	0.1%
<b>TOTAL Pilot Boat &amp; Pilot Station Expense</b>	<b>1,343,221</b>	<b>31.7%</b>
<b>GROSS MARGIN</b>	<b>2,891,800</b>	<b>68.3%</b>
General & Administrative Expenses		
Advertising	975	0.0%
Bank Charges	160	0.0%
Business Promotion	12,633	0.3%
Christmas Expense	6,000	0.1%
Contributions	4,980	0.1%
Computer Expense	5,037	0.1%
Retired Pilots Pay	995,569	23.5%
Dues & Subscriptions	35,267	0.8%
Insurance- Group Health	744,999	17.6%
Insurance- Group Life	3,422	0.1%
Insurance- Group Disability	65,062	1.5%
Insurance- General	38,540	0.9%
Insurance- Pilot Bonds	710	0.0%
Legal & Professional	56,617	1.3%
Medical Expenses/ Drug Testing	2,075	0.0%
Miscellaneous Expense	17	0.0%
Office Supplies & Expense	7,905	0.2%

**GALTEX PILOTS SERVICE CORP.**

11:59 am

**Income Statement**

	12 Months Ended May 31, 2006	
Pension Plan	96,620	2.3%
Postage & Delivery Fees	1,534	0.0%
Salaries- Office & Dispatch	298,800	7.1%
Taxes- Other	11,061	0.3%
Taxes- Payroll	108,725	2.6%
Telephone	13,359	0.3%
Texas State Pilot Meeting	489	0.0%
Travel	5,404	0.1%
<b>TOTAL General &amp; Administrative Expenses</b>	<b>2,515,960</b>	<b>59.4%</b>
<b>INCOME FROM OPERATIONS</b>	<b>375,840</b>	<b>8.9%</b>
<b>Other Income &amp; Expenses</b>		
Interest Income	9,801	0.2%
Gain on Sale of Securities	2	0.0%
Gain on Sale of Fixed Assets	(49,003)	-1.2%
Education & Safety Chg Reimb.	67,715	1.6%
Information Services	17,500	0.4%
Interest Expense- Pilot Boat	(119,051)	-2.8%
Depreciation- Pilot Boat Texas	(104,093)	-2.5%
Depreciation- Pilot Station	(99,090)	-2.3%
Information Service Cost	(17,500)	-0.4%
Equipment- Safety & Mobile Com	(67,715)	-1.6%
<b>TOTAL Other Income &amp; Expenses</b>	<b>(361,432)</b>	<b>-8.5%</b>
<b>INCOME BEFORE TAXES</b>	<b>14,407</b>	<b>0.3%</b>
<b>Provisions for Taxes</b>		
Corporate Federal Income Tax	2,541	0.1%
<b>TOTAL Provisions for Taxes</b>	<b>2,541</b>	<b>0.1%</b>
<b>NET INCOME</b>	<b>\$11,866</b>	<b>0.3%</b>

May 31, 2006

11:59 am

# GALTEX PILOTS SERVICE CORP.

Page 1

## Balance Sheet

May 31, 2006

### ASSETS

Current Assets:

Petty Cash	\$700
Cash in Bank	317,502
Frost Natl Bank Trust Dept	765,000
Accounts Receivable	715,118
Prepaid Insurance	58,162
Prepaid Ducs	2,339

TOTAL Current Assets	\$1,858,821
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Fixed Assets:

Office & Radio Room Equipment	443,890
Shop Equipment	1,142
Pilot Boat Galtex	279,076
Pilot Boat Texas	2,571,965
Pilot Station	2,102,743
Accumulated Depreciation	(1,277,738)

TOTAL Fixed Assets	4,121,078
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TOTAL ASSETS	\$5,979,899
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### LIABILITIES

Current Liabilities:

Accounts Payable	\$68,966
Payroll Taxes Payable	31,747
Federal Income Taxes Payable	2,400
Accrued Payroll	16,497
Accrued Payroll- Deferred Comp	58,620
Accrued Expense- Other	12,225
Note Payable- Current Portion	151,595

TOTAL Current Liabilities	\$342,050
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Long-Term Liabilities:

Note Payable- Pilot Boat	1,707,668
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TOTAL Long-Term Liabilities	1,707,668
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TOTAL LIABILITIES	2,049,718
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### STOCKHOLDER'S EQUITY

Common Stock	1,600
Additional Paid In Capital	1,140,778
Treasury Stock	(311,127)
Retained Earnings	3,087,063
Year-to-Date Earnings	11,866

May 31, 2006

11:59 am

# GALTEX PILOTS SERVICE CORP.

Page 2

## Balance Sheet

May 31, 2006

TOTAL STOCKHOLDER'S EQUITY

3,930,182

TOTAL LIABILITIES & STOCKHOLDER'S EQUITY

\$5,979,899

**GALVESTON - TEXAS CITY PILOTS**  
**Education and Safety Fund**  
**For the FYE May 31, 2006**

Receipts

Education and Safety Fund Fees	<u>\$101,892</u>
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Disbursements

Education costs for Manned Ship Model Schools, Simulators and Radar Training	99,497
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Safety Gear & Navigation Equipment Costs	31,357
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Safety Access Costs	<u>38,400</u>
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Total Disbursements	<u>\$169,254</u>
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Decrease in Fund Balance	<67,362>
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Beginning Fund Balance	<u>260,043</u>
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Ending Fund Balance	\$192,681
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12:04 pm

## Income Statement

8 Months Ended  
January 31, 2007

Income		
Management Fees	\$3,036,834	100.0%
<b>TOTAL Income</b>	<b>3,036,834</b>	<b>100.0%</b>
Pilot Boat & Pilot Station Expense		
Payroll- Pilot Boats	308,800	10.2%
Pilot Boat Insurance	63,261	2.1%
Engine Repairs	64,000	2.1%
Radio & Radar Repairs	12,021	0.4%
General Repairs- Layups	32,000	1.1%
Fuel	282,992	9.3%
Deck Supplies	11,387	0.4%
Galley Supplies	24,636	0.8%
Taxes- Pilot Boats	49,600	1.6%
Taxes- Pilot Station	12,816	0.4%
Depr.- Pilot Station Equipment	5,160	0.2%
Utilities- Pilot Station	28,957	1.0%
Repairs- Pilot Station	10,541	0.3%
Insurance- Pilot Station	18,282	0.6%
Maintenance- Pilot Station	12,870	0.4%
Equipment- Pilot Station	972	0.0%
Equip. Rental- Pilot Station	9,211	0.3%
Klein Dispatch System	7,000	0.2%
Supplies- Pilot Station	2,794	0.1%
<b>TOTAL Pilot Boat &amp; Pilot Station Expense</b>	<b>957,299</b>	<b>31.5%</b>
<b>GROSS MARGIN</b>	<b>2,079,535</b>	<b>68.5%</b>
General & Administrative Expenses		
Bank Charges- Trustee Fees	1,139	0.0%
Business Promotion	19,731	0.6%
Christmas Expense	4,000	0.1%
Contributions	3,000	0.1%
Computer Expense	4,209	0.1%
Retired Pilots Pay	689,226	22.7%
Dues & Subscriptions	23,275	0.8%
Insurance- Group Health	529,241	17.4%
Insurance- Group Life	2,303	0.1%
Insurance- Group Disability	43,849	1.4%
Insurance- General	24,006	0.8%
Insurance- Pilot Bonds	1,065	0.0%
Legal & Professional	64,140	2.1%
Medical Expenses/ Drug Testing	6,587	0.2%
Miscellaneous Expense	1,487	0.0%
Office Supplies & Expense	10,895	0.4%

12:04 pm

## Income Statement

8 Months Ended  
January 31, 2007

Pension Plan	72,196	2.4%
Postage & Delivery Fees	1,312	0.0%
Rent	160	0.0%
Salaries- Office & Dispatch	205,200	6.8%
Taxes & Licenses- Other	3,270	0.1%
Taxes- Payroll	77,543	2.6%
Telephone	8,775	0.3%
Texas & APA Pilot Meetings	3,575	0.1%
Travel	11,699	0.4%
<b>TOTAL General &amp; Administrative Expenses</b>	<b>1,811,884</b>	<b>59.7%</b>
<b>INCOME FROM OPERATIONS</b>	<b>267,651</b>	<b>8.8%</b>
<b>Other Income &amp; Expenses</b>		
Interest Income	32,429	1.1%
Education & Safety Chg Reimb.	98,592	3.2%
Information Services	15,500	0.5%
Interest Expense- Pilot Boat	(87,207)	-2.9%
Deprcciation- Pilot Boat Texas	(68,552)	-2.3%
Deprcciation- Pilot Station	(66,060)	-2.2%
Information Service Cost	(15,500)	-0.5%
Equipment- Safety & Mobile Com	(98,592)	-3.2%
M/V Galtex Disaster Loss	(99,560)	-3.3%
M/V Galtex Disaster Loss- Costs Incurred	(261,394)	-8.6%
<b>TOTAL Other Income &amp; Expenses</b>	<b>(550,344)</b>	<b>-18.1%</b>
<b>INCOME BEFORE TAXES</b>	<b>(282,693)</b>	<b>-9.3%</b>
<b>NET INCOME</b>	<b>(\$282,693)</b>	<b>-9.3%</b>

**GALTEX PILOTS SERVICE CORP.**

2:25 pm

**Balance Sheet**

January 2007

**ASSETS****Current Assets:**

Petty Cash	\$700
Cash in Bank	171,150
Frost Natl Bank Trust Dept	787,023
Aim Investments Prime Sweep Account	487,506
Accounts Receivable	396,383
Prepaid Insurance	87,941
Prepaid Dues	6,646

**TOTAL Current Assets****\$1,937,349****Fixed Assets:**

Office & Radio Room Equipment	444,543
Shop Equipment	1,142
Pilot Boat Texas	2,571,965
Pilot Station- Building	1,177,041
Pilot Station- Boat Slip	750,191
Pilot Station- Floating Dock	93,715
Pilot Station- Land	81,795
Accumulated Depreciation	(1,238,647)

**TOTAL Fixed Assets****3,881,746****TOTAL ASSETS****\$5,819,095****LIABILITIES****Current Liabilities:**

Accounts Payable	\$263,611
Payroll Taxes W/H	29,077
Federal Income Taxes Payable	2,400
Accrued Payroll- Galtex	6,802
Accrued Payroll- Texas	6,944
Accrued Payroll- Office	4,766
Accrued Payroll- Deferred Comp	61,532
Accrued Engine Repairs Expense	16,603
Accrued General Repairs- Layup Expense	7,998
Accrued Christmas Expense	1,385
Accrued AdValorem Taxes	8,319
Note Payable- Current Portion	151,595

**TOTAL Current Liabilities****\$561,031****Long-Term Liabilities:**

Note Payable- Pilot Boat	1,610,576
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**TOTAL Long-Term Liabilities****1,610,576**

Mar 2, 2007

# GALTEX PILOTS SERVICE CORP.

Page 2

2:25 pm

## Balance Sheet

January 2007

TOTAL LIABILITIES

2,171,607

### STOCKHOLDER'S EQUITY

Common Stock

1,600

Additional Paid in Capital

1,140,778

Treasury Stock

(311,127)

Retained Earnings

3,098,930

Year-to-Date Earnings

(282,693)

TOTAL STOCKHOLDER'S EQUITY

3,647,488

TOTAL LIABILITIES & STOCKHOLDER'S EQUITY

\$5,819,095

**GALVESTON - TEXAS CITY PILOTS**  
**Education and Safety Fund**  
**For the 8 months ended January 31, 2007**

Receipts

Education and Safety Fund Fees \$ 77,679

Disbursements

Education costs for Manned Ship  
Model Schools, Simulators and  
Radar Training 74,073

Safety Gear & Navigation Equipment Costs 38,518

Safety Access Costs 25,600

Total Disbursements \$138,191

Decrease in Fund Balance <60,512>

Beginning Fund Balance 192,681

Ending Fund Balance \$132,169

Income Summary

	Gross Billings	Education & Safety	Access Charges	Money Mkt Interest	Misc Income	Total Income	Operating Expenses	Distributable Income	Expense as %
Jan-06	\$ 713,841.39	\$ (8,127.00)	\$ 3,200.00	\$ 889.72	\$ -	\$ 709,804.11	\$ 345,694.85	\$ 364,109.26	49%
Feb-06	\$ 662,708.96	\$ (7,728.00)	\$ 3,200.00	\$ 1,040.33	\$ -	\$ 659,222.29	\$ 336,469.61	\$ 322,752.68	51%
Mar-06	\$ 680,782.32	\$ (8,148.00)	\$ 3,200.00	\$ 1,053.52	\$ -	\$ 676,887.84	\$ 336,124.51	\$ 340,763.33	50%
Apr-06	\$ 706,302.73	\$ (8,673.00)	\$ 3,200.00	\$ 77.52	\$ -	\$ 700,907.25	\$ 334,711.69	\$ 366,195.56	48%
May-06	\$ 755,563.74	\$ (9,366.00)	\$ 3,200.00	\$ 2,083.09	\$ -	\$ 751,480.83	\$ 379,657.66	\$ 371,823.17	51%
Jun-06	\$ 747,300.21	\$ (8,484.00)	\$ 3,200.00	\$ 1,121.51	\$ -	\$ 743,137.72	\$ 284,758.75	\$ 458,378.97	38%
Jul-06	\$ 705,033.12	\$ (8,442.00)	\$ 3,200.00	\$ 911.41	\$ -	\$ 700,702.53	\$ 365,786.18	\$ 334,916.35	52%
Aug-06	\$ 845,054.78	\$ (10,500.00)	\$ 3,200.00	\$ 1,220.37	\$ -	\$ 838,975.15	\$ 368,066.80	\$ 470,908.35	44%
Sep-06	\$ 681,050.83	\$ (8,799.00)	\$ 3,200.00	\$ 933.55	\$ 4,384.93	\$ 680,770.31	\$ 393,376.85	\$ 287,393.46	58%
Oct-06	\$ 872,810.48	\$ (10,458.00)	\$ 3,200.00	\$ 970.01	\$ -	\$ 866,522.49	\$ 369,435.14	\$ 497,087.35	43%
Nov-06	\$ 822,803.67	\$ (10,101.00)	\$ 3,200.00	\$ 605.04	\$ -	\$ 816,507.71	\$ 397,535.47	\$ 418,972.24	49%
Dec-06	\$ 837,096.64	\$ (10,290.00)	\$ 3,200.00	\$ 1,336.45	\$ -	\$ 831,343.09	\$ 377,567.05	\$ 453,776.04	45%
	\$ 9,030,349.87	\$ (109,116.00)	\$ 38,400.00	\$ 12,242.52	\$ 4,384.93	\$ 8,976,261.32	\$ 4,289,184.56	\$ 4,687,076.76	

Expense Summary

	Boat Expenses	Station Expenses	Admin Expenses	Deferred Comp	Total
Jan-06	\$ 83,147.70	\$ 9,700.73	\$ 163,070.16	\$ 89,776.26	\$ 345,694.85
Feb-06	\$ 80,107.40	\$ 17,571.67	\$ 156,814.37	\$ 81,976.17	\$ 336,469.81
Mar-06	\$ 87,522.27	\$ 15,013.26	\$ 158,628.80	\$ 74,960.18	\$ 336,124.51
Apr-06	\$ 84,166.67	\$ 15,405.00	\$ 158,404.15	\$ 76,735.87	\$ 334,711.69
May-06	\$ 100,069.69	\$ 15,799.40	\$ 178,145.47	\$ 85,843.10	\$ 379,657.66
Jun-06	\$ 105,394.37	\$ 13,013.07	\$ 166,351.31	\$ -	\$ 284,758.75
Jul-06	\$ 103,581.79	\$ 14,156.72	\$ 163,106.86	\$ 84,940.81	\$ 365,786.18
Aug-06	\$ 113,704.48	\$ 11,416.93	\$ 168,622.25	\$ 74,323.14	\$ 368,066.80
Sep-06	\$ 100,966.85	\$ 20,357.21	\$ 165,984.26	\$ 106,068.53	\$ 393,376.85
Oct-06	\$ 110,744.83	\$ 12,019.70	\$ 183,716.03	\$ 62,954.58	\$ 369,435.14
Nov-06	\$ 103,541.12	\$ 11,001.44	\$ 179,977.11	\$ 103,015.80	\$ 397,535.47
Dec-06	\$ 107,372.21	\$ 9,202.47	\$ 174,654.57	\$ 86,337.80	\$ 377,567.05
	\$ 1,180,319.38	\$ 184,657.60	\$ 2,017,475.34	\$ 926,732.24	\$ 4,289,184.56

Boat Expenses

	Payroll	Hull Insurance	Engine Repairs	Hull & Deck Repairs	Radio & Radar Repairs	General Repairs	Fuel	Deck Supplies	Galley Supplies	Taxes Pilot Boats	Pilot Boat Total
Jan-06	\$ 37,500.00	\$ 7,907.57	\$ 2,000.00	\$ -	\$ 1,078.06	\$ 3,000.00	\$ 28,123.92	\$ 375.62	\$ 2,580.53	\$ 602.00	\$ 83,147.70
Feb-06	\$ 37,500.00	\$ 7,907.57	\$ 2,000.00	\$ -	\$ -	\$ 3,000.00	\$ 25,799.74	\$ 581.55	\$ 2,718.54	\$ 602.00	\$ 80,107.40
Mar-06	\$ 37,500.00	\$ 7,907.57	\$ 2,000.00	\$ -	\$ 258.58	\$ 3,000.00	\$ 32,920.16	\$ 736.01	\$ 2,597.95	\$ 602.00	\$ 87,522.27
Apr-06	\$ 37,500.00	\$ 7,907.57	\$ 2,000.00	\$ -	\$ -	\$ 3,000.00	\$ 29,043.82	\$ 1,083.65	\$ 3,029.63	\$ 602.00	\$ 84,166.67
May-06	\$ 37,500.00	\$ 7,907.57	\$ (4,012.43)	\$ -	\$ 2,984.77	\$ 13,154.49	\$ 38,428.42	\$ 828.01	\$ 2,608.86	\$ 602.00	\$ 100,089.69
Jun-06	\$ 38,600.00	\$ 7,907.57	\$ 8,000.00	\$ -	\$ 497.85	\$ 4,000.00	\$ 34,496.85	\$ 2,418.98	\$ 3,275.12	\$ 6,200.00	\$ 105,394.37
Jul-06	\$ 38,600.00	\$ 7,907.57	\$ 8,000.00	\$ -	\$ 683.37	\$ 4,000.00	\$ 34,943.82	\$ 485.91	\$ 2,751.12	\$ 6,200.00	\$ 103,581.79
Aug-06	\$ 38,600.00	\$ 7,907.57	\$ 8,000.00	\$ -	\$ 3,477.11	\$ 4,000.00	\$ 40,374.96	\$ 1,882.09	\$ 3,462.75	\$ 6,200.00	\$ 113,704.48
Sep-06	\$ 38,600.00	\$ 7,907.57	\$ 8,000.00	\$ -	\$ 531.39	\$ 4,000.00	\$ 31,457.65	\$ 1,206.64	\$ 3,063.60	\$ 6,200.00	\$ 100,966.85
Oct-06	\$ 38,600.00	\$ 7,907.57	\$ 8,000.00	\$ -	\$ 2,371.12	\$ 4,000.00	\$ 38,963.08	\$ 1,666.62	\$ 3,036.44	\$ 6,200.00	\$ 110,744.83
Nov-06	\$ 38,600.00	\$ 7,907.57	\$ 8,000.00	\$ -	\$ -	\$ 4,000.00	\$ 34,369.94	\$ 1,438.98	\$ 3,023.63	\$ 6,200.00	\$ 103,541.12
Dec-06	\$ 38,600.00	\$ 7,907.57	\$ 8,000.00	\$ -	\$ 2,800.72	\$ 4,000.00	\$ 35,488.80	\$ 1,028.96	\$ 3,346.16	\$ 6,200.00	\$ 107,372.21
	\$ 457,700.00	\$ 94,890.84	\$ 59,987.57	\$ -	\$ 14,662.97	\$ 53,154.49	\$ 404,409.16	\$ 13,632.02	\$ 35,472.33	\$ 48,410.00	\$ 1,180,319.38

New Boat

	Interest Expense	Depreciation
Jan-06	\$ 10,447.62	\$ 8,569.00
Feb-06	\$ 11,640.30	\$ 8,569.00
Mar-06	\$ 10,822.71	\$ 8,569.00
Apr-06	\$ 10,657.52	\$ 8,659.00
May-06	\$ 8,962.26	\$ 8,569.00
Jun-06	\$ 11,060.58	\$ 8,569.00
Jul-06	\$ 11,368.72	\$ 8,569.00
Aug-06	\$ 11,109.20	\$ 8,569.00
Sep-06	\$ 10,684.25	\$ 8,569.00
Oct-06	\$ 10,949.31	\$ 8,569.00
Nov-06	\$ 10,545.51	\$ 8,569.00
Dec-06	\$ 10,788.58	\$ 8,569.00
	\$ 129,036.56	\$ 102,918.00



Administrative Expenses  
2006

	Advertising	Bank Charges	Business Promotion	Christmas Expense	Contributions	Computer Expense	Dues & Subscriptions	Flowers	Equipment & Fixtures	Insurance Group Health	Insurance Group Life
Jan-06	\$ 324.90	\$ 160.00	\$ 240.32	\$ 500.00	\$ -	\$ 500.93	\$ 2,508.85	\$ -	\$ -	\$ 64,490.58	\$ 282.00
Feb-06	\$ -	\$ -	\$ 86.78	\$ 500.00	\$ 750.00	\$ 286.00	\$ 3,219.93	\$ -	\$ -	\$ 64,490.58	\$ 310.20
Mar-06	\$ -	\$ -	\$ 1,036.54	\$ 500.00	\$ 1,000.00	\$ 1,110.15	\$ 2,494.80	\$ -	\$ -	\$ 64,490.58	\$ 291.40
Apr-06	\$ -	\$ -	\$ 409.62	\$ 500.00	\$ 630.00	\$ -	\$ 2,519.00	\$ -	\$ -	\$ 65,699.58	\$ 291.40
May-06	\$ 325.00	\$ -	\$ 535.43	\$ 500.00	\$ -	\$ 819.42	\$ 2,494.80	\$ -	\$ -	\$ 65,699.58	\$ 291.40
Jun-06	\$ -	\$ -	\$ 114.46	\$ 500.00	\$ -	\$ 53.04	\$ 3,288.40	\$ -	\$ -	\$ 65,354.37	\$ 291.40
Jul-06	\$ -	\$ 169.66	\$ 570.20	\$ 500.00	\$ 500.00	\$ -	\$ 2,784.60	\$ -	\$ -	\$ 64,951.58	\$ 291.40
Aug-06	\$ -	\$ 159.89	\$ 742.99	\$ 500.00	\$ -	\$ 2,539.82	\$ 2,559.80	\$ -	\$ -	\$ 59,762.58	\$ 291.40
Sep-06	\$ -	\$ 180.57	\$ 318.27	\$ 500.00	\$ 500.00	\$ 356.68	\$ 2,490.40	\$ -	\$ -	\$ 69,109.58	\$ 291.40
Oct-06	\$ -	\$ 161.25	\$ 933.50	\$ 500.00	\$ 1,500.00	\$ 1,153.01	\$ 2,589.00	\$ -	\$ -	\$ 69,109.58	\$ 291.40
Nov-06	\$ -	\$ 161.91	\$ 2,005.74	\$ 500.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,312.58	\$ 282.00
Dec-06	\$ -	\$ 162.60	\$ 776.84	\$ 500.00	\$ -	\$ -	\$ 2,764.60	\$ -	\$ -	\$ 68,312.58	\$ 282.00
	\$ 649.90	\$ 1,135.88	\$ 7,770.69	\$ 6,000.00	\$ 4,880.00	\$ 6,799.05	\$ 29,714.18	\$ -	\$ -	\$ 786,422.75	\$ 3,496.80

Administrative Expenses  
2006

Insurance	Insurance	Insurance	Interest	Legal &	Management	Medical	Misc.	Office Supplies	Pension	Postage	Office
General	Group Disability	Pilot Bonds		Professional	Fees	Expenses		& Printing	Plan		Rent
\$ 3,055.17	\$ 5,444.33	\$ -	\$ -	\$ 8,337.80	\$ 31,983.27	\$ 155.91	\$ -	\$ 904.92	\$ 8,050.00	\$ 394.87	\$ -
\$ 3,055.17	\$ 5,481.13	\$ -	\$ -	\$ 3,179.74	\$ 30,588.15	\$ 285.00	\$ -	\$ 899.86	\$ 8,050.00	\$ -	\$ -
\$ 3,055.17	\$ 5,481.13	\$ -	\$ -	\$ 3,918.24	\$ 30,556.77	\$ 162.12	\$ -	\$ 203.56	\$ 8,050.00	\$ -	\$ -
\$ 3,055.17	\$ 5,481.13	\$ -	\$ -	\$ 3,728.15	\$ 30,428.34	\$ 245.00	\$ -	\$ 546.42	\$ 8,050.00	\$ 1.95	\$ -
\$ 3,410.17	\$ 5,481.13	\$ -	\$ -	\$ 4,073.89	\$ 34,543.88	\$ 100.00	\$ -	\$ 748.34	\$ 8,070.00	\$ 412.20	\$ -
\$ 3,055.17	\$ 5,481.13	\$ 710.00	\$ -	\$ 4,500.00	\$ 33,756.67	\$ 4,736.02	\$ -	\$ 359.92	\$ 8,000.00	\$ 132.00	\$ -
\$ 3,055.17	\$ 5,481.13	\$ -	\$ -	\$ 5,208.56	\$ 33,298.74	\$ -	\$ -	\$ 494.99	\$ 9,170.90	\$ 550.80	\$ -
\$ 2,549.21	\$ 5,481.13	\$ -	\$ -	\$ 4,975.00	\$ 33,460.62	\$ 365.00	\$ -	\$ 1,695.21	\$ 9,170.91	\$ 17.08	\$ -
\$ 3,055.17	\$ 5,481.13	\$ -	\$ -	\$ 9,847.70	\$ 35,766.19	\$ 51.30	\$ -	\$ 123.39	\$ 9,170.91	\$ -	\$ -
\$ 3,055.17	\$ 5,481.13	\$ -	\$ -	\$ 10,957.34	\$ 34,130.47	\$ 370.00	\$ -	\$ 1,451.59	\$ 9,170.91	\$ -	\$ -
\$ 3,055.17	\$ 5,481.13	\$ 355.00	\$ -	\$ 7,172.86	\$ 36,489.44	\$ -	\$ 1,000.00	\$ 3,729.24	\$ 9,170.91	\$ 612.45	\$ -
\$ 3,126.17	\$ 5,481.13	\$ -	\$ -	\$ 9,455.90	\$ 34,324.28	\$ 120.00	\$ -	\$ 883.39	\$ 9,170.91	\$ -	\$ -
\$ 36,582.08	\$ 65,736.76	\$ 1,085.00	\$ -	\$ 75,355.18	\$ 399,336.82	\$ 6,590.35	\$ 1,000.00	\$ 12,040.83	\$ 103,295.45	\$ 2,121.15	\$ -

Administrative Expenses  
2006

Admin Payroll	Taxes Other	Taxes Payroll	Telephone	Travel Conventions	Total	Deferred Comp	Total Admin	Checker Total
\$ 24,900.00	\$ -	\$ 9,832.41	\$ 1,004.10	\$ -	\$ 163,070.16	\$ 89,776.26	\$ 252,846.42	\$ 220,863.15
\$ 24,900.00	\$ -	\$ 8,814.77	\$ 1,448.11	\$ 488.95	\$ 156,814.37	\$ 81,976.17	\$ 238,790.54	\$ 208,202.39
\$ 24,900.00	\$ -	\$ 8,723.31	\$ 1,086.76	\$ 1,568.27	\$ 158,828.80	\$ 74,960.18	\$ 233,588.98	\$ 203,032.21
\$ 24,900.00	\$ -	\$ 10,732.80	\$ 1,185.59	\$ -	\$ 156,404.15	\$ 76,735.87	\$ 235,140.02	\$ 204,711.88
\$ 24,900.00	\$ 10,610.00	\$ 11,588.53	\$ 1,142.66	\$ 2,399.04	\$ 178,145.47	\$ 85,643.10	\$ 263,788.57	\$ 229,244.69
\$ 25,650.00	\$ -	\$ 9,188.91	\$ 1,179.82	\$ -	\$ 166,351.31	\$ -	\$ 186,351.31	\$ 132,584.64
\$ 25,650.00	\$ 120.00	\$ 9,214.11	\$ 1,095.02	\$ -	\$ 163,108.86	\$ 84,940.81	\$ 248,047.67	\$ 214,748.93
\$ 25,650.00	\$ 2,781.00	\$ 8,434.77	\$ 1,085.13	\$ 1,211.71	\$ 168,622.25	\$ 74,323.14	\$ 242,945.39	\$ 209,484.77
\$ 25,650.00	\$ 30.00	\$ 10,231.63	\$ 1,285.94	\$ 911.00	\$ 165,984.26	\$ 106,068.53	\$ 272,052.79	\$ 238,286.60
\$ 25,650.00	\$ -	\$ 7,893.11	\$ 839.84	\$ 8,478.73	\$ 183,716.03	\$ 62,954.58	\$ 246,670.61	\$ 212,540.14
\$ 25,650.00	\$ 84.00	\$ 11,867.80	\$ 842.28	\$ 2,388.20	\$ 179,977.11	\$ 103,015.80	\$ 282,992.91	\$ 246,493.47
\$ 25,650.00	\$ -	\$ 11,041.52	\$ 642.03	\$ 1,980.62	\$ 174,654.57	\$ 86,337.80	\$ 260,992.37	\$ 226,668.09
\$ 304,050.00	\$ 13,625.00	\$ 117,563.67	\$ 12,837.28	\$ 19,406.52	\$ 2,017,475.34	\$ 926,732.24	\$ 2,944,207.58	\$ 2,544,870.76



**FITTS ROBERTS<sup>®</sup> & CO., P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**AND CONSULTANTS**

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February 9, 2007

David Manney  
Galveston-Texas City Pilots  
P.O. Box 16110  
Galveston, Texas 77552

This letter is to explain our understanding of the arrangements for the services we are to perform for Galtex Pilots Service Corp. and the Galveston-Texas City Pilots Association for the year ending May 31, 2007. We ask that you either confirm or amend this understanding.

We will perform separate individual audits of Galtex Pilots Service Corp. and the Galveston-Texas City Pilots Association (the Companies or entities) financial statements as of and for the year ended May 31, 2007. We understand that the financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

We will conduct the audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error, fraudulent financial reporting, or misappropriation of assets. Accordingly, a material misstatement, may remain undetected. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.

An audit of financial statements also includes obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to the Board and to management any significant deficiencies or material weaknesses that become known to us during the course of the audit.

We will also communicate to the audit committee or directors any (a) fraud involving senior management and other fraud that causes a material misstatement of the financial statements, (b) illegal acts that come to our attention (unless they are clearly inconsequential), (c) disagreements with management and other serious difficulties encountered in performing the audit, and (d) various matters related to the entities accounting policies and financial statements.

Management is responsible for the financial statements, including adjusting the financial statements to correct material misstatements, and for making all financial records and related information available to us. Management is responsible for providing us with a written management representation letter confirming certain representations made during the course of our audit of the financial statements and affirming to us that it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge.

Management is responsible for identifying and ensuring that the entities comply with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management employees who have significant roles in internal control and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.

The audit committee or directors are responsible for informing us of its views about the risks of fraud within the entities, and its knowledge of any fraud or suspected fraud affecting the entities.

If circumstances arise relating to the condition of the Companies records, the availability of sufficient, competent evidential matter, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

During the course of our engagement, we may accumulate records containing data which should be reflected in your books and records. The Companies will determine that all such data, if necessary, will be so reflected. Accordingly, the Companies will not expect us to maintain copies of such records in our possession.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

The assistance to be supplied by company personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with Ron Ritter. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Our fees are based upon the time required by the individuals assigned to the engagement, plus direct expenses. We estimate our fee for the audit engagement will be in the range of \$15,000 for Galtex Pilots Service Corp. and \$4,000 to \$5,000 for the Pilots Association, plus out-of-pocket expenses (mileage, tolls, etc.). Interim billings will be submitted as work progresses and as expenses are incurred and are due upon receipt. A service fee of 1% per month will be charged on unpaid balances after thirty days. This fee estimate will be subject to adjustments based on unanticipated changes in the scope of our work and/or the incomplete or untimely receipt by us of the information on the client participation list. All other provisions of this letter will survive any fee adjustments.

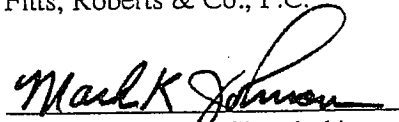
Professional standards and our firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors, or "experts" in a document used in a public or private offering of equity or debt securities. Accordingly, the Company agrees that it will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, the Company also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the Company seeks such consent, we will be under no obligation to grant such consent or approval.

Tentatively, we plan to begin the audits in early August and complete them by the end of August 2007.

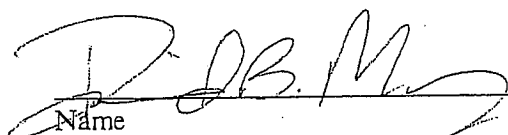
This letter constitutes the complete and exclusive statement of agreement between Fitts, Roberts & Co., P.C. and Galtex Pilots Service Corp. and the Galveston-Texas City Pilots Association, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

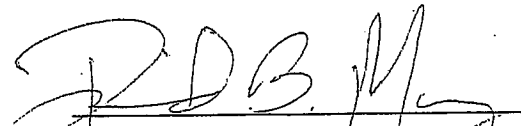
If this letter defines the arrangements as the two aforementioned entities understands them, please sign and date the enclosed copy and return it to us. We appreciate your business.

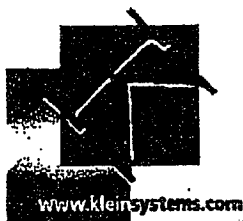
Fitts, Roberts & Co., P.C.

  
Mark K. Johnson, Shareholder

Confirmed on behalf of the addressee:

  
Name \_\_\_\_\_ Title Vice President  
Galtex Pilots Service Corp.

  
Name \_\_\_\_\_ Title Vice Spokesman  
Galveston-Texas City Pilots Association



**KLEIN SYSTEMS  
GROUP LTD.**

Suite 300-1901 Rossar Avenue  
Burnaby, B.C., Canada V5C 6R8  
Tel 604 689 7117 Fax 604 689 7118

*Excellence in Maritime Software*

February 8, 2007


To Whom it May Concern

Dear Sirs

**Re: Galveston Texas Pilots**

We can confirm that Klein Systems Group Ltd. installed its KleinPilot Dispatch, Billing and Accounts Receivable system for the Galveston Texas Pilots in 2006. The organization is actively using the system for pilot dispatch and we are working with them to enable them to fully utilize the product and take advantage of the extensive service benefits which it can provide.

Yours sincerely,  
Klein Systems Group Ltd.  
Per



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David N. Lloyd  
Executive Vice President